

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

-----041806Z 129245 /47

P R 041600Z MAY 77

FM AMEMBASSY CAIRO

TO AMEMBASSY JIDDA PRIORITY

AMEMBASSY KUWAIT PRIORITY

SECSTATE WASHDC PRIORITY 4698

INFO AMCONSUL ALEXANDRIA

AMEMBASSY AMMAN

AMEMBASSY ABU DHABI

AMEMBASSY MANAMA

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY MUSCAT

CONFIDENTIAL CAIRO 7597

EXDIS

E.O. 11652: GDS

TAGS: EINV, ETRD, EG

SUBJECT: XEROX INVESTMENT PROJECT

REF: (A) STATE 086009 (B) CAIRO 6508

1. SUMMARY. XEROX OFFICIALS CALLED ON AMBASSADOR MAY 4 TO REVIEW PLANNED INVESTMENT PROJECT AND DISCUSS COMPANY'S BOYCOTT PROBLEMS. COMPANY REPS INTEND VISIT JIDDA AND KUWAIT FOR CONTACTS WITH EMBASSIES AND WITH LOCAL BOYCOTT AUTHORITIES PRIOR TO JUNE MEETING OF BOYCOTT COMMITTEE. END SUMMARY.

2. XEROX ATTORNEY WILLIAM C. MILLER AND MIDDLE EAST PROJECT MANAGER LOUIS PERILLO, TOGETHER WITH SHAKER A KHAYATT, A CONSULTANT HIRED BY COMPANY, CALLED ON AMBASSADOR MAY 4 FOR DISCUSSION OF PROPOSED XEROX INVESTMENT PROJECT IN EGYPT AND CONFIDENTIAL

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ASSOCIATED BOYCOTT PROBLEMS. PROJECT, WHICH ACCORDING TO XEROX REPS RECEIVED "UNQUALIFIED" APPROVAL BY GOE INVESTMENT AUTHORITY MARCH 28, INVOLVES ESTABLISHMENT OF A SERVICE AND DISTRIBUTION CENTER IN CAIRO AND AN ASSEMBLY PLANT FOR COPYING MACHINES (TO BE SET UP AS A FREE ZONE OPERATION) IN ALEXANDRIA. PLANS CALL FOR THE EXPORT OF 75 PERCENT OF THE ASSEMBLY PLANT'S OUTPUT TO OTHER ARAB COUNTRIES.

3. XEROX REPS SAID COMPANY HAD ORIGINALLY BEEN PLACED ON BOYCOTT LIST ABOUT TEN YEARS AGO FOR SPONSORING TV FILM ON BIRTH OF ISRAEL. LATER, FIRM HAD SET UP COMPANY IN ISRAEL TO MARKET COMPUTERS. XEROX ABANDONED COMPUTER BUSINESS ABOUT TWO YEARS AGO AND HAD WANTED, EVEN APART FROM BOYCOTT CONSIDERATIONS, TO CLOSE DOWN ISRAELI OPERATION WHICH HAD NEVER BEEN PROFITABLE.

4. XEROX HAS HAD A NUMBER OF CONTACTS WITH BOYCOTT OFFICIALS BOTH AT CENTRAL OFFICE IN DAMASCUS AND AT NATIONAL LEVEL IN VARIOUS ARAB COUNTRIES. IN ORDER TO BE REMOVED FROM BOYCOTT LIST, CENTRAL BOYCOTT OFFICE HAD REQUIRED NOT ONLY THAT COMPANY DIVEST ITSELF OF ISRAELI SUBSIDIARY, BUT THAT IT DEMONSTRATE BREAK WAS COMPLETE, E.G., BY GIVING EVIDENCE THAT ALL CAPITAL HAD BEEN REPATRIATED. COMPANY HAD SOME PROBLEMS WITH LATTER POINT, SINCE ITS INITIAL INVESTMENT AGREEMENT WILL PREVENT ANY CAPITAL REPATRIATION FOR ANOTHER SEVERAL YEARS. MOREOVER, ISRAELI SUBSIDIARY HAS BEEN SOLD TO ITS OWN EMPLOYEES, IN ABSENSE OF INTEREST BY OTHER BUYERS, AND XEROX WAS REQUIRED TO MAINTAIN CERTAIN TECHNICAL SERVICES. UNDER SOME CIRCUMSTANCES, COMPANY MIGHT EVEN BE REQUIRED TO PUT MORE MONEY INTO ENTERPRISE. XEROX NEVERTHELESS HOPES THAT WITH ASSISTANCE OF MORE FLEXIBLE ARAB STATES, THESE PROBLEMS CAN BE OVERCOME.

5. ACCORDING TO XEROX REPS, NEXT MEETING OF BOYCOTT COMMITTEE WILL BE JUNE 8 IN EGYPT. (EMBASSY AND AMCONGEN ALEXANDRIA ALSO UNDERSTAND THAT MEETING, PREVIOUSLY SCHEDULED FOR MAY 7, IS TO BE POSTPONED.) XEROX HOPES MEETING
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WILL RESULT IN REMOVING COMPANY FROM BOYCOTT LIST TO ENABLE IT TO OPERATE EVERYWHERE IN ARAB WORLD. COMPANY ASSUMES IT COULD NOW BEGIN OPERATIONS IN EGYPT, BUT QUESTION REMAINS WHETHER AND TO WHAT EXTENT GOE AUTHORITIES ARE WILLING TO ASSIST COMPANY TO GET OFF LIST ENTIRELY.

6. AMBASSADOR NOTED THAT EGYPTIAN POSITION ON THIS MATTER HAD NOT BEEN CONSISTENT. FONMIN FAHMY HAD RETREATED FROM EARLIER WILLINGNESS TO ACTIVELY ASSIST IN HAVING FORD AND COCA COLA REMOVED FROM BOYCOTT LIST. GOE POSITION NOW SEEMS TO BE THAT HIGHER LEVELS OF GOE WOULD NOT PLAY ACTIVE ROLE IN PROCESS BUT HAD NO OBJECTION IF EGYPTIAN BOYCOTT OFFICE WENT TO BAT FOR COMPANIES. (SEE REF. B) XEROX REPS WILL BE VISITING OTHER ARAB CAPITALS
IN ATTEMPT LINE UP SUPPORT FOR COMPANY'S REMOVAL FROM LIST AT JUNE MEETING. AMBASSADOR AGREED TO SEEK MEETING FOR KHAYATT WITH FONMIN FAHMY IN LATE MAY TO PLEAD COMPANY'S CASE WITH THE KEY GOE OFFICIAL IN THIS AREA PRIOR TO JUNE MEETING.

7. FOR KUWAIT AND JIDDA. XEROX OFFICIALS PLAN BE IN KUWAIT THURSDAY, MAY 5 AND JIDDA SUNDAY MAY 8 FOR TALKS WITH EMBASSIES AND LOCAL BOYCOTT OFFICIALS. THEY ASKED THAT RESPECTIVE EMBASSIES BE INFORMED OF VISIT. THEY HOPE TO HAVE APPOINTMENTS WITH AMBASSADORS AT EACH POST.

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